

 *Human Resource Services*

2004 Annual Report

Ascent

*Remarkable growth accelerated
by motivated people
and focused performance*





What a difference one year makes

Year Highlights

- CPS secures five-year contract with the National Institutes of Health.
- CPS opens Washington, D.C. office to serve the Federal sector.
- CPS wins contract with TSA to recruit, test, and assess airport security screeners.
- CPS and IPMA-HR award two \$25,000 grants to encourage HR excellence in the public sector.



David Hill
Chair of the Board and
HR Director for the City of Anaheim



Ed Cole and Pamela Stewart
Co-Executive Directors



Jerry Greenwell
Deputy Executive Director

Our ascent began in summer 2002

with proposal requests by two high-profile Federal agencies for human resource projects related to homeland security. CPS competed for—and won—significant, five-year contracts.

The first contract involves hiring/staffing strategy, HR operations support, and organizational development and redesign for the National Institute of Allergy and Infectious Diseases (NIAID), the second largest institute under the National Institutes of Health (NIH). The second contract for the Transportation Security Administration (TSA) provides recruiting, testing, and assessment of airport security screeners at the more than 430 U.S. airports.

In one remarkable year, CPS catapulted from a mid-sized, regional agency to a nationally recognized public sector organization for HR consulting and outsourcing. With an aggressive five-year plan already in place, we exceeded our fiscal year-end 2003 revenue projection by \$25 million.

Previous initiatives launched our ascent, including our MOBIS Certification as a preferred provider for Federal government contracts; our acquisition of a premier executive search firm; and our continued partnership with the International Public Management Association for Human Resources (IPMA-HR).

The new Federal contracts accelerated our expansion plans for fiscal year July 2002–June 2003. We added a regional office in Washington, D.C., located one block from the U.S. Capitol. We also opened four support offices in Atlanta, Chicago, Crystal City (VA), and Sacramento.

We are both proud and well-positioned to help in the war against terrorism. The urgency of the TSA project allowed us only 45 days to develop an online application process, create nationwide call and testing centers, and assemble traveling assessment teams to respond to more than 50,000 security screener applicants. CPS met the challenge with flying colors.

In 2003, we introduced PESA, a separate Joint Powers Authority providing interim executive staffing for senior-level positions. This allows public agencies to make temporary placements without jeopardizing new hires' retirement benefits.

In industry-related news, our Madison, WI office partnered with the national Annie E. Casey Foundation to identify and strengthen human resource and management practices in the HR workforce. As in the past, CPS continued to develop training and seminar programs that, so far, have educated 10,000 public agency employees on a variety of HR topics.

Our partnership with IPMA-HR continues to evolve. Together, we introduced a national grant program to encourage innovative HR practices in the public sector. The first two recipients, the State of Georgia Merit System and the City and County of San Francisco, were announced at the IPMA-HR annual meeting.

Last, but not least, we want to acknowledge the focus and determination of the entire CPS team. We would not have achieved our extraordinary growth without them. Working in unison, our goal is ambitious and clear: improve HR management in all forms of government.

Signed,



David Hill
Chair of the Board and
HR Director for the City of Anaheim



Pamela Stewart
Co-Executive Director



Ed Cole
Co-Executive Director



Jerry Greenwell
Deputy Executive Director



Visibility

*Impressed with our know-how
and proven capabilities
Washington took notice*



CPS gained the Federal sector's attention

by first securing key projects from the National Institute of Allergy and Infectious Diseases (NIAID), an institute within the National Institutes of Health (NIH). We provided HR management services to satisfy the significant homeland-defense hiring demands resulting from the September 11 tragedy. Aware of the opportunity before us, we demonstrated our expertise and earned a much larger, five-year contract with NIAID in September 2002.

The NIAID contract was awarded under the Management, Organizational and Business Improvement Services (MOBIS) Federal procurement schedule. To accommodate intermittent and contract consultants needed for the project, we opened our Washington, D.C. regional office. At the same time, we strengthened our resource pool and established strategic partnerships. In the first month alone, we conducted the staffing work associated with evaluating about 250 positions, dramatically reducing HR processing time.

Among other responsibilities, we analyzed workforce and future organizational requirements for NIAID. We also helped to plan and implement programs involving organizational structures, core staff competencies, and a human capital strategy for optimal resource acquisition. The CPS team proved we are extremely capable in providing quality consulting services to the Federal Government—strategically positioning us to bid on future projects.

“CPS consultants have been highly professional, and their well-thought-out services have been readily embraced by the organization. Their assessment and development work has been superb.”

Lynn C. Hellinger
Associate Director for Management and Operations,
National Institute of Allergy and Infectious Diseases (NIAID)

NIAID Contract Highlights

- CPS drafted and completed 197 executive performance contracts within management's four-week time frame.
- CPS completed a strategic assessment of the Office of Clinical Research (OCR). Linking OCR's mission to its core business processes, CPS helped to reconfigure the organizational structure and realign its business processes and functions.
- CPS identified quick-hit improvements that could immediately benefit HR activities for the Office of Human Resources' NIAID servicing team.
- CPS staffed all critical HR areas for the Office of Human Resources' NIAID servicing team.
- CPS provided highly personalized management assistance at the leader and team levels for the Office of Human Resources' NIAID servicing team and the Division of Extramural Activities. CPS addressed priorities, managed communication, coordinated the high volume of work, and integrated and aligned changing priorities.
- CPS performed numerous needs assessments, then developed plans to assist each NIAID unit in improving organizational effectiveness.



Initiative

*Ready for the challenge
we created efficiencies
without compromising quality*

*"...the extraordinary effort
of CPS helps to ensure the
successful performance of
their contract and their
entire HR services effort."*

Transportation Security Administration



Part of the Department of Homeland Security, the Transportation Security Administration (TSA) is the Federal agency charged with ensuring the security of our nation's transportation system. This includes protecting the nearly 600 million people who travel through U.S. airports each year.

In December 2002, TSA awarded CPS a one-year contract (with four one-year options) to recruit, test, and assess security screeners and other personnel at the more than 430 airports across the country and in U.S. territories. TSA had completed its initial round of hiring when it awarded us the project.

Once on board, CPS had just 45 days to begin delivering a qualified candidate pool for thousands of existing vacancies. The challenges were clear: create a strong partnership with TSA; build team capacity; make a seamless transition from the prior contractor; and quickly put in place a highly automated, fast, and user-friendly hiring process. Under the leadership of senior manager Bob Lavigna and his talented team, we began recruiting and assessing candidates on schedule.

Since the project's inception, CPS rapidly delivered a valid, automated, and candidate-friendly process. We incorporate multiple recruiting sources, an online application system, a network of computerized testing centers, a call center, immediate candidate feedback, and other advanced technology solutions. Our teams are routinely deployed across the continental U.S., Alaska, and Hawaii to assess candidates. We even deploy teams to remote locations such as Guam, Pago Pago, and the Virgin Islands.

Because TSA requires fast turnaround, CPS created a timely and cost-efficient recruitment process without compromising quality. We rigorously apply professional testing and assessment standards to deliver repeatable, easy-to-use processes.

To meet the staffing needs of TSA, we assembled a team of business partners who are all leaders in their fields. The result is a highly integrated, state-of-the-art system. We also augmented our own staff by opening offices in Chicago, Atlanta, and Crystal City, VA—thus positioning CPS to expand our presence in the Federal sector.

CPS' Outsourcing Role for TSA

- Recruit nationally and locally
- Develop valid selection instruments
- Develop and manage online application and testing systems
- Conduct assessment centers that include structured interviews, physical ability tests, and medical exams
- Manage a call center that operates 16 hours a day, 365 days a year
- Provide advice as a TSA strategic partner



Scope

*Expanding services and
market presence
one agency at a time*

Local, State, and Federal agencies regard CPS as an experienced and knowledgeable resource. They rely on our government expertise in current industry practices, whether we provide high-level advice on HR/management issues, conduct classification and compensation studies, or recruit personnel for entry-level positions. In fact, many of our senior consultants have worked for and with city, state, and special district agencies for more than 20 years.

GOVERNMENT CONSULTING

The Local Government Services division of CPS specifically targeted new markets during the past fiscal year and was rewarded with 46 new clients—an impressive 59 percent

increase. As in the past, we provided value in disciplines such as job analysis, recruitment and selection, and classification and compensation studies.

In other related news, CPS trained local agencies throughout California on HR employment law and workplace violence. We also provided services to the state of Washington's Human Resources Department, plus classification and compensation studies for Pierce County, Washington.

The Merit System Services (MSS) contract administered for the California State Personnel Board—on behalf of the Departments of Social Services, Health Services,

Office of Emergency Services, and Child Support Services—continued to anchor our local government work. Tasked with recruiting and screening job applicants for 30 of California's 58 counties, CPS processed an estimated 3,808 personnel documents, certified 997 lists for 7,333 candidates, received and reviewed 15,405 applications, initiated 990 recruitments, and conducted 9,065 exams. We strictly follow merit standards as established by the State of California and continue to conduct human resource audits for the other 28 California counties.

California Region

As California faced the most serious fiscal crisis in its history, CPS State Government Services maintained steady growth. While revenues were down from last year's record level, the division's revenues exceeded \$2 million for the third consecutive year.

California's budget woes presented us with challenges, including a moratorium on most classification and pay actions and tighter controls on contracting services by state agencies. We responded by expanding and diversifying HR services to assist agencies in their time of flux. For example, CPS consultants performed a detailed analysis of serious resource issues facing the Emergency Command Centers operated by the Department of Forestry and Fire Protection.

In California, CPS State Government Services:

- Delivered high-level general consultation and advice on difficult management issues to public agency executives
- Trained more than 10,000 state employees on topics such as sexual harassment and discrimination prevention
- Conducted open enrollment employment law and workplace training sessions for approximately 500 employees
- Expanded the provision of skilled, employment-related investigative services conducted for state agencies
- Developed administrative and employee handbooks and policy manuals for several state agencies

Madison Regional Office

In its second year, our regional office in Madison, WI generated revenues of more than \$900,000, exceeding goal by \$102,000. Building on this success, we hired a full-time consultant to focus on new business development. In addition to assisting the Federal TSA project, the Madison office:

- Completed executive searches for the Director of Public Works for the City of Minneapolis and the HR Director of the Child and Family Services Agency for Washington, D.C.
- Identified HR and management best practices for the Annie E. Casey Foundation (a national foundation that helps disadvantaged children)
- Identified HR best practices for more than 70 human services agencies across the nation
- Worked with the City of Atlanta to outsource major functions such as payroll/HRMS and third-party administration of workers' compensation, evaluating vendor proposals to perform those services
- Conducted a process review for the South Florida Water Management District (SFWMD) to identify opportunities for outsourcing and process efficiencies by incorporating document reviews, conducting face-to-face interviews, and analyzing workflow

Washington, D.C. Regional Office

In September 2002, CPS was placed on the approved contractor list for the MOBIS Federal procurement schedule. This key placement allows us to extend general consulting business to the Federal market.

In December 2002, we opened a Washington, D.C. regional office to service the new five-year contract for NIAID. Senior manager Gib Johnson oversees the location's capable team of consultants, with a goal of contracting additional Federal sector and regional public agency work.



Competency

*Still the definitive source
for recruiting and
qualifying candidates*



Testing is the cornerstone of CPS

as more than 1,500 public agencies count on us to assist them in identifying the best candidates for their job openings. During the fiscal year ending June 30, 2003, CPS provided tests used to assess more than 145,000 candidates for a variety of positions, including firefighters, police officers, correctional officers, maintenance workers, and clerical workers.

TEST DEVELOPMENT AND TEST RENTAL

Our Test Development and Test Rental departments continued to grow, adding new clients such as the National Association of State Boating Law Administrators (test development); the Santa Cruz Superior Court (job analysis and test development); and the Society for Animal Welfare Administrators (job analysis).

TEST ADMINISTRATION

Our Test Administration department exceeded projected revenue of \$5.6 million. Expanding services to existing clients—in areas such as applicant screening and processing—accounted for this growth. CPS also pursued new business at every opportunity, including certifying small water system operators and evaluating qualifications for licensure of candidates as environmental health specialists at the California Department of Health Services.

Year Highlights

- CPS conducted a job evaluation study for the State of Alaska. A report on the study was subsequently submitted to the Society of Industrial and Organizational Psychology and accepted at their 2003 conference.
- CPS developed an online study guide for the California State Personnel Board Interpreter certification tests, incorporating both written and oral sample tests.
- CPS completed job analysis work to support the validity of our testing instruments, including the Correctional Law Enforcement Officer, Promotional Law, Community Services Officer, and entry and advanced Clerical examinations.
- CPS administered more than 80,000 notary exams in 2002-2003, a 21 percent increase over the previous year.
- CPS completed work on a biodata instrument for eligibility workers, plus initiated work on a situational judgment test for social workers in California.
- CPS conducted 10 seminars in Northern and Southern California locations, covering topics such as statistics, interviewing, selection basics, multiple-choice item writing, and job analysis.

Executive Search Services

Executive search services are a logical and important extension of our recruitment and testing. We accommodate every HR outsourcing need, from test development and test rental to high-level HR consulting and key-position staffing.

This past year marked Shannon Executive Search's complete transition within CPS. Since Shannon Associates joined as a business unit in 2002, CPS executive search services now reach all 50 states.

Notable additions to the department included hiring two new executive recruiters and an associate recruiter and opening an office in Los Angeles to expand our continuing growth in the Southwest.

Examples of high-level positions filled by CPS in 2002-2003

Tourism Manager, City of Scottsdale, AZ
Deputy Director of Child Welfare, San Diego County, CA
Finance Director, City of Modesto, CA
Director of Public Works, City of Pasadena, CA
Director of Employee Relations, Los Angeles County, CA
Public Defender, Orange County, CA
County Administrative Officer, Yuma County, AZ
Planning Director, City of Anaheim, CA
Utilities Manager, City of Huntington Beach, CA
Director of Public Works, City of Minneapolis, MN
HR Director, Child and Family Services, Washington, D.C.
Chief Financial Officer, City of Henderson, NV
City Manager, City of Long Beach, CA



Commitment

*Making good on a promise
to enhance our
profession and community*

Improving HR in all forms of government

is our vision at CPS. Contributing both time and money, our active involvement in professional organizations helps to promote change and growth. The fiscal year ending June 30, 2003, was no exception.

CPS and IPMA-HR established a grant program to encourage excellence in human resources practices for the public sector. Our goal is simple: recognize public agencies for their quality, fairness, equity, and innovative solutions to organizational needs.

In the grant program's inaugural year, \$25,000 grants were awarded to the State of Georgia Merit System and to the City and County of San Francisco. Georgia used the funds to create automated, competency-based staffing and development guides, while San Francisco developed an interactive, online database that matches skills to jobs.

Through a partnership with the College of Continuing Education at California State University, Sacramento, CPS created the HR Academy Certificate Program. The coursework provides practical, hands-on training for public sector HR professionals who want to advance their careers. Topics include classification and compensation, exam development, recruitment and exam administration, and employee relations.

CPS at our best

At CPS, we encourage our team members to share their knowledge and actively involve themselves within the HR profession. Jerry Greenwell and Bob Lavigna, pictured at left, exemplify this commitment.

Jerry Greenwell

Deputy Executive Director

LEADERSHIP

- Oversees brand and marketing efforts
- Works to advance technology as a primary CPS solution
- Strategically positions CPS for expansion and growth

EXPERIENCE

- More than 20 years in the public, human, and social services fields
- More than 15 years of experience in training and staff development, performance management, recruitment and selection, and organizational development

INDUSTRY AFFILIATIONS

- IPMA-HR Professional Development Committee
- Volunteer trainer for IPMA-HR Certified Human Resources Professional Certification
- IPMA-HR Performance Management Training Program
- Senior Fellow, American Leadership Forum

Bob Lavigna

Senior Manager, Madison Regional Office

LEADERSHIP

- Directs HR consulting projects for Federal, state, and local governments involving workforce planning, classification and compensation, recruitment and selection, executive search, performance management, training, process re-engineering, and benchmarking/best practices
- Manages the TSA contract to recruit and select airport screeners and other staff throughout the U.S.

EXPERIENCE

- More than 29 years of public sector experience in Federal, state, and local government
- Authored a chapter on HR best practices in the fourth edition of *Public Personnel Administration: Problems and Prospects*

INDUSTRY AFFILIATIONS

- 2003 IPMA-HR President-Elect
- American Society for Public Administration (ASPA) Section on Personnel and Labor Relations, Past Chair
- IPMA-HR Warner W. Stockberger Achievement Award
- Public Official of the Year, 2000 *Governing* Magazine

Among other community contributions:

- CPS (company and individuals) volunteered time and financially supported more than 35 nonprofit agencies.
- CPS employees contributed nearly \$30,000 to the annual United Way Campaign.
- CPS pledged \$25,000 over a five-year period for the Capital Public Radio station development campaign.

Best place to work

In 2003, CPS was named one of the Sacramento area's best places to work. CPS accepted the Sacramento Workplace Excellence Leader (SWEL) award from the Sacramento Area Human Resources Association as second runner-up in the small business category. Our "Live Well/Work Well" program exemplifies our commitment to job satisfaction and career growth—which has a positive impact on the quality of services we provide.



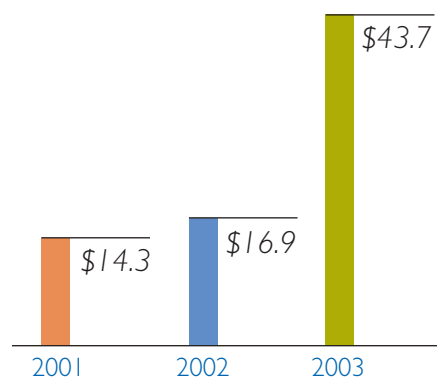
FINANCIAL REPORT

As of June 30, 2003, CPS' revenues climbed 159 percent to \$43.7 million. Every business unit experienced remarkable growth—a testament to our team's commitment to providing quality services and value. In all, the focused performance of these very motivated people accelerated our ascent.

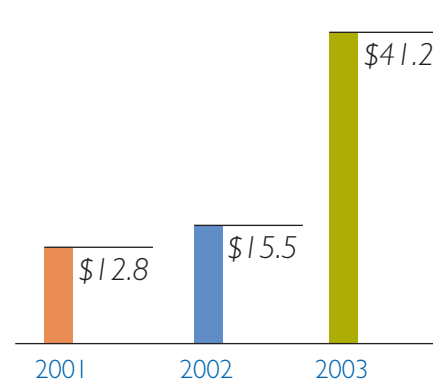
CPS FINANCIAL HIGHLIGHTS (in millions)

Fiscal Year Ending June 30, 2003

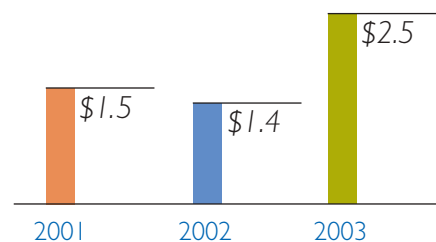
Total Revenues



Total Expenses



Net Income



(in millions)

	2003	2002	2001
Total Assets	\$22.4	\$12.9	\$10.3
Total Liabilities	\$11.0	\$4.0	\$2.8
Retained Earnings	\$11.4	\$8.9	\$7.5

CPS BOARD OF DIRECTORS

David Hill

Chair of the Board and HR Director, City of Anaheim

Walter Vaughn

Executive Officer, California State Personnel Board

Gwen McDonald

Director of Human Resources, East Bay Municipal Utility District

George Cole (January 2003 to present)

Dick Ide (July – December 2002)

Director of Classified Personnel, Hayward Unified School District

Claudette Enus

Director of Human Resources, City of Las Vegas

Dale Anderson

Human Resources Agency Administrator, County of Sacramento

Andrea Gourdine

Director of Human Resources, City and County of San Francisco

Ray Myers

Director of Human Resources, County of Sonoma

Karen Timberlake

Director, Office of State Employment Relations, State of Wisconsin

CPS BOARD MEMBER AGENCIES

California State Personnel Board

City of Anaheim

City of Las Vegas

City and County of San Francisco

County of Sacramento

County of Sonoma

East Bay Municipal Utility District

Hayward Unified School District

State of Wisconsin Department of Employment Relations

CPS MANAGEMENT TEAM

Pamela Stewart

Co-Executive Director

Ed Cole

Co-Executive Director

Jerry Greenwell

Deputy Executive Director

Dave Caffrey

Senior Manager, State Government Services

Bruce Davis

Senior Manager, TSA Standards and Assessment

Brian Gegan

Chief Information Officer

Mertianna Georgia

Senior Manager, Local Government Services

Fili T. Gonzalez

Chief Financial Officer

Matt Gruver

Senior Manager, TSA Operations and Deployment

Dave Harris

Senior Manager, Executive Search

Susan Helland

Senior Manager, Local Government Services

Kate Hill

Senior Manager, Test Administration

Gib Johnson

Senior Manager, Washington, D.C. Regional Office

Bob Lavigna

Senior Manager, Madison, WI Regional Office
and TSA Program Manager

Mike Willihnganz

Senior Manager, Test Development and Test Rental

Bill Zanow

Senior Manager, TSA Deputy Program Manager



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